



CAL POLY POMONA PHILANTHROPIC FOUNDATION STATEMENT OF DONOR ADVISED FUND PROGRAM

I. Purpose

The Cal Poly Pomona Philanthropic Foundation California not-for-profit charity exempt from taxation under Section 501(c)(3) of the Internal Revenue Code ("IRC"), operating as an organization defined under IRC Section 509(a)(1) (the "Foundation"), was established to support California State Polytechnic University, Pomona (the "University") and to provide donors who intend to benefit the University with a convenient means to meet their philanthropic objectives. In furtherance of these purposes, and to encourage a long-term relationship with donors, the Foundation's Board of Directors has determined that it will be advantageous to establish a donor advised fund ("DAF") program. The Foundation is a sponsoring organization which qualifies as a charitable organization under Internal Revenue Code § 170 and is not a private foundation that maintains donor-advised funds. (IRC § 4966(d)(1); Final Letter 83-2300241.)

A DAF program allows donors to establish an account that provides many of the advantages of organizing their own private foundation without the associated costs and administrative obligations. A DAF provides donors with name recognition, the ability to claim a current charitable contribution deduction, and a voice, although not binding, on how the DAF assets are used.

Furthermore, unlike a private foundation, DAF donors do not have to be concerned about satisfying minimum distribution requirements, the self-dealing rules, or the excise taxes that can be imposed by the Internal Revenue Service on a private foundation. For these reasons, DAFs have become an increasingly common planned giving vehicle among philanthropists. Thus, it is the belief of the Foundation's Board that, in order to maintain the necessary donor base and the capital needed to operate a well-managed public charity, the Foundation wishes to establish a DAF program.

II. Foundation DAF Requirements

A. Operation of DAF The DAF program shall be organized and operated as a "donor advised fund" as defined in Section 4966(d)(2) of the Internal Revenue Code (the "Code"). This Statement of Policy shall be interpreted and applied in accordance with Code Section 4966(d)(2), which allows a DAF as a fund separately identified by reference to contributions of donor(s); which is owned and controlled by the Foundation; and with respect to which donor(s) or the Distribution Advisor pursuant to Paragraph E of Article IV has, or reasonably expects to have, advisory privileges with respect to the distribution of amounts held in the fund by reason of the donor's(s') status as a donor. Nothing in this Statement of Policy shall affect the status of the Foundation as a public charity that is described in Code Section 501(c)(3). The Foundation shall amend this Statement of Policy to conform to the provisions of any applicable law or governmental regulation as may be in effect from time to time in order to carry out the foregoing intention.

B. Donor Contributions The Foundation shall accept such contributions as it may determine meet the criteria its Gift Acceptance Policy 110, in its sole and absolute discretion. Generally, the Foundation will accept cash and marketable securities to fund a DAF account. Other assets, such as real property or interests in closely held entities, shall be evaluated by the Foundation on a case-by-case basis. The Gift Acceptance Policy 110 lays out the criteria in determining whether a specific gift will be accepted. Once accepted by the Foundation, a contribution to a DAF account represents an irrevocable donation to the Foundation and is not refundable or subject to the control of the donor.

1. *Separate Accounts* An individual account will be established for each DAF donor and the Foundation will account for the assets in each DAF account separately from other DAF accounts.

2. *DAF Account Investments* Notwithstanding the separate accounting records that the Foundation will maintain for each DAF account, the assets of all DAF accounts may be co-mingled for investment purposes.

C. Minimum Funding Amount To establish a DAF account with the Foundation, a donor must contribute not less than one hundred thousand dollars (\$100,000.00) or such property that is acceptable to the Foundation with an equivalent fair market value.

D. Additional Contributions Once the fund is created, a donor may make additional contributions to his/her or its DAF account as frequently as desired in such amounts as shall be approved by the Foundation in its discretion and subject to the Gift Acceptance Policy Number 110 of the Foundation.

E. Administration Fees To operate the DAF program and to cover the cost of administration, the Foundation will charge each DAF account a two percent (2%) of fund balance annual administrative fee, charged quarterly.

III. Investment Guidelines

As owner and controller of all DAF assets, the Foundation is responsible for the investment of all DAF account assets. The Foundation shall manage all DAF funds in accordance with the Endowment Investment Policy 502 or the General Investment Policy 501 depending upon the type of asset and governing investment policy. All investment decisions shall be made in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances and shall be consistent with the Foundation's charitable purposes. No statements to a donor, either directly or indirectly, written, or oral, shall in any way give a donor express or implied investment power over DAF funds. Each donor shall be mindful that there are market risks associated with the investment of DAF account assets and that these assets may decline in value. Accruals and reductions resulting from investment of DAF account assets shall be apportioned in each DAF account in accordance with the above referenced investment policies.

IV. Distribution Guidelines

A. Gift Acceptance Committee the Foundation's Gift Acceptance Committee, or its designee, shall oversee all aspects of DAF distributions. The Gift Acceptance Committee, or its designee, shall exert all reasonable efforts and establish adequate procedures to see that the distribution is spent solely for the purpose for which made, and to obtain full and complete reports from the distributee on how the funds are spent, and to make full and detailed reports with respect to those expenditures. The Gift Acceptance Committee shall, at least annually, review and ratify the distributions made from all DAF accounts during the previous year. Further, the Gift Acceptance Committee may also, from time to time, investigate and recommend qualified charitable entities for presentation to DAF donors for consideration for distribution recommendations and/or for distribution from the DAF funds at the Gift Acceptance Committee's discretion.

B. Minimum Annual Distribution to the Foundation Not less than fifty percent (50%) of the total amount distributed each year from each DAF account shall be distributed to the Foundation, for a program or designated purpose that benefits the University mission.

C. Donor Requests for Distributions Each DAF donor is permitted to advise the Gift Acceptance Committee with respect to distributions to be made from that donor's DAF account. Donors may not mandate distributions of assets. All advisory requests shall be submitted to the Gift Acceptance Committee (or to its designee) for consideration on a standard form to be provided by the Gift Acceptance Committee. Under no circumstances shall donors, distribution advisors as defined in Article IV paragraph E, or person related to a donor or donor advisor receive any personal benefit, other than an incidental benefit, from any distributions made from a DAF account nor may a distribution be used to discharge or satisfy a pledge or obligation of any person, including a donor. Any expenses incurred by donors in connection with the DAF will not be reimbursed. No request will be considered if, in the Gift Acceptance Committee's sole and absolute discretion, the use of the funds will conflict with the Foundation's charitable purposes or may otherwise be objectionable or against the values of the Foundation and the University. The Foundation always recommends as a priority that distributions, or at least a portion of distributions for a given Distribution Day, be made to the Foundation to support the Foundation's charitable mission to the University. Any distribution made outside of the University must be made to a charity qualified under Internal Revenue Code Section 509(a)(1). Donor(s) may recommend up to 50% of the total amount distributed each year from each DAF be distributed to public charities.

D. Joint DAF Account Where more than one person establishes a joint DAF account, the donors may submit distribution requests with respect to that account.

E. Distribution Advisor Subject to the limitations contained in Paragraph G.3 of this Article IV, an individual donor (or donors if they establish a joint DAF account) may appoint a distribution advisor to succeed him or her in providing distribution requests to the Gift Acceptance Committee upon the donor's death (or upon the death of the surviving donor in the event of a joint DAF account). Such appointment shall be made by delivery of a written instrument acknowledged by the donor to the Gift Acceptance Committee. A distribution advisor's appointment shall only be effective if the fair market value of the DAF account at the time of the donor's death (or the death of the surviving donor) is at least \$100,000.00. If, at any time after the appointment of the distribution advisor becomes effective, the fair market value of the DAF account is less than fifty thousand dollars (\$50,000.00), the Gift Acceptance Committee may, in its sole and absolute discretion, terminate the DAF account. Such termination shall be subject to the provisions of Article V.

F. Internal Distribution Requests From time to time, the Gift Acceptance Committee or its designees may investigate organizations as potentially eligible for DAF distributions. If an eligible organization is discovered, the Gift Acceptance Committee may alert donors of the opportunity to make a distribution from their DAF account to the organizations investigated and presented to the donors.

G. Distribution Requirements

1. *Minimum Annual Distributions.* In no event shall the annual distributions from a DAF account be less than five percent (5%) of the average monthly net fair market value of the account as determined in the prior fiscal year. For a new DAF account, the minimum distribution shall be prorated for its first year and shall be based upon the average monthly net fair market value of the account in that year. Distributions in excess of 5% of the net fair market value of the DAF account's assets will count towards future year minimum distributions.

2. *Notice of Minimum Distribution* In any year where the minimum distribution requirement is not met, the donor or distribution advisor with respect to the DAF account will be notified by the Gift Acceptance Committee of the required distributions to be made from the DAF account and be given the opportunity to recommend a recipient charity.

If the donor or distribution advisor does not recommend a recipient within the allotted time or if the recommended charity does not meet the Gift Acceptance Committee's criteria for distribution, the Gift Acceptance Committee will make the necessary minimum distributions from the DAF account to the charities it selects in its discretion. Such charities may include the Foundation.

3. *Maximum Payout Period* All assets (and investment accruals allocated thereto) within a DAF account shall be distributed by the end of the twentieth (20th) year following their contribution to the DAF account. This means, for example, if Two hundred and fifty thousand dollars (\$250,000.00) is contributed to a DAF account on June 15, 2021, this amount (and any allocable investment accruals) shall be distributed prior to January 1, 2042.

Notwithstanding the foregoing, if the fair market value of the assets in a DAF account is at least two million dollars (\$2,000,000.00), the 20th Year Limitation shall be waived unless the fair market value of such DAF account's assets decreases to an amount that is less than \$50,000.00. If such decrease shall occur (after a waiver of the 20th Year Limitation), the DAF account shall become subject to the 20th Year Limitation as of the date such account's value decreases below \$50,000.00.

H. Distribution Amounts and Frequency Distributions shall be made no more frequently than quarterly. Distributions will be made on the **25 th** day of each quarter, unless such day falls on a weekend or federal holiday, in which case distributions will be made on the next business day ("Distribution Day"). Distributions must be recommended at least thirty (30) days prior to the next Distribution Day in order to be processed and made on that Distribution Day. Donors may recommend a maximum of **10** distributions to be made on a given Distribution Day. Distributions may be made in amounts of not less than one thousand dollars (\$1,000.00).

V. **Account Termination**

A. Death of Donor Subject to the provisions of Paragraph E of Article IV, the death of an individual donor (or the surviving donor in the case of a jointly established DAF account) shall terminate his or her DAF account.

B. Minimum DAF Account Balance the Gift Acceptance Committee may, in its sole and absolute discretion, terminate a DAF account if the fair market value of its assets is less than five thousand dollars (\$5,000.00) for six (6) consecutive months.

C. Distribution Upon Termination Upon termination of a DAF account for any reason, if the Donor has not submitted any advisory requests with respect to distributions to be made upon termination and if a distribution advisor is not appointed pursuant to Paragraph E of Article IV, the remaining assets in the DAF account shall be distributed as determined in the Gift Acceptance Committee's sole discretion, for the benefit of the University. Should the donor at anytime desire to move their DAF balance to another DAF provider, the Foundation will make the distribution at no charge to the fundholder.

D. Donor Communications the Gift Acceptance Committee will provide periodic reports to donor(s) or their distribution advisor, if applicable. These reports will summarize the current financial condition of each Donor's DAF account and a report on how the funds were spent.